

Editorial Team: Beata Surmacz (Director of ICE), Tomasz Stępniewski (Deputy Director of ICE), Agnieszka Zajdel (Editorial Assistant), Aleksandra Kuczyńska-Zonik, Jakub Olchowski, Konrad Pawłowski, Agata Tatarenko

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Łukasz Lewkowicz, Marlena Gołębiowska

Before the summit in Sofia: challenges facing the Three Seas Initiative

On July 8-9, 2021, Bulgaria will hold the sixth summit of The Three Seas Initiative (TSI). The meeting in Sofia will be an opportunity to summarize the achievements so far, but also to discuss the challenges facing the Initiative, which include, inter alia, real and potential conflicts, the slow pace of implementation of priority projects, the return of the countries of this region to the path of economic growth, and support of external actors (mainly the USA and the EU). Discussion on these issues will also take place during the Local Government Economic Congress – the Second Forum of the Three Seas Regions, which will be held on June 29-30, 2021, in Lublin.

Political challenges of TSI. The countries of Central Europe that belong to TSI are united by geographical proximity and shared historical experiences. However, there are many challenges and obstacles that can hinder cooperation. The region's problems include the real and potential ethnic, border, and linguistic conflicts between individual countries in the region. Other issues that may have an impact on the future of the TSI include the political diversity of the member states, a large disproportion of their demographic and economic potentials, the lack of countries that are in the mainstream of European integration, and the slow pace of implementation of the priority projects submitted at the Bucharest summit. The barriers to cooperation are also the current conflicts of interest between TSI member states, e.g. the Polish-Czech dispute over the activity of the Turów lignite mine.

Moreover, the TSI is a presidential format in which heads of state play the leading role, while the implementation of costly projects is the responsibility of government prime ministers. This dichotomy may have an impact on the effectiveness of their implementation, especially in the case of cohabitation in a given country. Currently, actions are taken to develop parliamentary cooperation between TSI countries, an example of which is the First Parliamentary Forum of the Three Seas Initiative, which took place on June 3, 2021, in Tallinn. In the public discourse, there are also proposals to institutionalize the Initiative by introducing permanent institutions or a statute.

TSI economic challenges. The countries belonging to TSI have a lot in common economically. Most of them over the past thirty years struggled with the legacy of the former communist regime, later became part of the EU single market, and in the last few years – until the crisis caused by the COVID-19 pandemic – impressed with economic growth faster than the EU average. However, there remain many challenges that can significantly hamper the transformation of TSIs into an effective form of regional economic cooperation.

Firstly, the TSI countries are not a compact block, either on a political or an economic level. The biggest challenge in this context is that these countries do not see themselves as one economic area, but often as competitors, fighting each other for external capital.

Secondly, TSI countries remain less attractive partners for internal trade and investment between countries in the region than with the more developed countries of Western Europe. For example, in Poland, which is the largest economy belonging to the Initiative, exports to eleven TSI countries account for less than 20% of total Polish exports, and imports from these countries stand at 11%, less than exports and imports only to Germany itself. The main obstacle to the development of mutual trade and investment relations are the infrastructural backwardness on the north-south axis concerning the three key areas for TSI: transport, energy, and digital technologies.

Thirdly, the economic dimension of TSI, which was the establishment of the Three Seas Initiative Investment Fund, remains a symbolic and not a real element of the region's economic cooperation. So far, the Fund has made three investments. The first concerned transport: the Fund acquired 100% of shares in the Industrial Division company operating under the Cargounit brand on the locomotive rental market in Central Europe; the second was in digital infrastructure: the acquisition of a controlling stake in the Estonian company Greenergy Data Centers OÜ (Greenergy) through the purchase of MCF Estonia OÜ, which is building a data center near Tallinn; and the third is in energy: related to the acquisition of shares in Enefy Development GmbH (Enefy) operating in the renewable energy sector from Austria. Strengthening the Fund is essential to achieve tangible, pragmatic results in the form of successful implementation of joint projects.

It is also important to promote other TSI initiatives: the CEE Plus Index created in 2019, known as the Three Seas Index, which gives an opportunity to increase the recognition of this region among global investors; and the planned Economic Network of the Three Seas Regions, which is to become a format of direct cooperation between local governments in the TSI (the initiator is the Lublin Voivodship, and the declaration on the establishment of the network is to be signed during the Local Government Economic Congress – the Second Forum of Three Seas Regions on June 29, 2021).

Undoubtedly, a challenge is also the return of TSI countries to the path of economic growth after the crisis caused by the COVID-19 pandemic (more about the pandemic in the economies of Central Europe: [„Komentarze IEŚ”, nr 383](#)). It is also an opportunity to increase the intensity of intra-regional production and trade links between these countries. The logistical difficulties revealed by this recession may induce companies to locate business operations in neighbouring countries, which will favour regional supply chains.

Involvement of external actors. The initiative has been supported by the USA from the very beginning. Its goals are perceived as identical with American interests, especially in the field of energy. TSI countries are perceived as potential buyers of American natural gas, which is an alternative to Russian gas. Thanks to the participation of US President Donald Trump in the TSI summit in Warsaw in July 2017, the initiative became the centre of attention of global politicians and the media. During the 56th Munich Security Conference in February 2020, Secretary of State Mike Pompeo announced that the US plans to provide countries involved in the TSI with up to USD 1 billion for energy investments (see: [„Komentarze IEŚ”, nr 125](#)). However, after the presidential election, the new Joe Biden administration abandoned the sanctions imposed on the company building the Nord Stream 2 gas pipeline. At the same time, President Biden participated in the Bucharest Nine summit, which brings together NATO's eastern flank countries. Due to the attempts to reset relations with the EU and the ongoing global US-Chinese conflict, it cannot be ruled out that US involvement in TSI may be sidelined in the coming years.

EU institutions, on the other hand, initially approached TSI ambivalently. This was due to the fact that this project was put forward at a time of tensions with Poland. There were accusations of Poland violating the rule of law. In December 2017, for the first time in history, at the initiative of the European Commission, the procedure under Art. 7 of the Treaty of Lisbon was initiated, which weakened Poland's international position. Until 2018, high-level EU representatives did not attend TSI summits. The European Commission did not directly criticize TSI, but unofficially regarded it as an attempt by Poland to unite the region, which, under its leadership, sought to create a counterweight to the German-French alliance in the EU. Seeing American involvement and the development of the Initiative in 2018, the Commission changed its previous position. In Bucharest, recognition was given to TSI's contribution to regional development, which will lead to greater cohesion in the Union as a whole. A significant challenge for the Three Seas Initiative is the recent initiative of 11 EU countries (including TSI members: Austria, Estonia and Latvia) requesting the end of EU funding for cross-border gas connections due to climate change.

Potential extension of the TSI. In terms of the importance of the Three Seas Initiative, there is also the issue of extending this Initiative to include Eastern European countries. For example, Ukraine is a country that is vitally interested in participating in this project. The participation of this country would naturally expand the geographic scope of the Initiative to include the Black Sea Belt. The question about the shape of relations with TSI's neighbouring countries also concerns relations with the Western Balkan countries that aspire to integration with the EU. At the same time, it should not be forgotten that, according to the originators of the format, Poland and Croatia, participation in TSI is limited to EU Member States due to the need to emphasize the importance of this project as pro-European and the possibility of using EU funds for infrastructure development.

Conclusions. The Three Seas Initiative is currently the largest format of regional cooperation in Central Europe. At present, no extension of the organisation to new Member States is planned. However, it is advisable to develop cooperation with countries remaining outside the Initiative. The TSI also does not seek to create new organizational structures or build formal relationships. On the other hand, a pragmatic approach is noticeable, focusing on economic cooperation around specific projects.

Since 2018, the Initiative has been moving from the conceptual phase to the implementation phase. It is in the interest of the countries of Central Europe to implement the priority projects identified in Bucharest, which will create the possibility of further economic development for the region. The biggest challenges facing TSI countries include internal problems (including the COVID-19 pandemic, conflicts of interest between Member States) and external (EU climate policy, changing the priorities of the US foreign policy, Russia's neo-imperial policy).